

Message Text

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ACTION H-03

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E.O. 11652: N/A
TAGS : ENRG, OVIP, (ABOUREZK, JAMES)
SUBJECT : SENATOR ABOUREZK ELICITS SHAIKH ZAYID'S VIEWS ON
OIL PRICES

FOLLOWING IS TEXT OF REPORTING TELEGRAM ON WHICH EMBASSY HAS,
ON NOVEMBER 14, RECEIVED SENATOR ABOUREZK'S CLEARANCE (BAGHDAD
1684) IN ACCORDANCE WITH INSTRUCTIONS CONTAINED STATE 251471.

1. AFTER A HARD DAY OF BARGAINING WITH OTHER RULERS ON
MEANSURES TO INCREASE POWERS OF UAE FEDERAL GOVERNMENT,
UAE PRESIDENT SHAIKH ZAYID GRACIOUSLY RECEIVED SENATOR
ABOUREZK AND MEMBERS OF HIS PARTY FOR AN AUDIENCE
EVENING OF NOVEMBER 6 FOLLOWED BY DINNER. ABU DHABI
CROWN PRINCE KHALIFA AND OIL MINISTER MANA AL-UTAYBA
WERE ALSO PRESENT. ALTHOUGH I AM STILL WAITING TO PRE-
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SENT CREDENTIALS, ZAYID INVITED ME TO JOIN AND TO SIT

NEXT TO HIM DURING DINNER. WE FEASTED ON BUSTARD, FISH AND DATES AND IT WAS MY FIRST OPPORTUNITY TO CONVERSE WITH THE RULER AND BECOME ACQUAINTED WITH HIS DISTINCTIVE BEDOUIN DIALECT. EVENING WAS ANIMATED WITH SENATOR ABOUREZK QUICKLY ESTABLISHING A RAPPORT WITH THE RULER WHO ENJOYED HIS LIVELY GIVE AND TAKE. EVENING ALSO UNUSUAL IN THAT ALL WOMEN IN SENATOR'S PARTY, AS WELL AS MY WIFE, AND WIVES OF DCM AND PAO, WERE INVITED TO ATTEND AUDIENCE AND DINNER.

2. MOST INTERESTING ASPECT OF MEETING WAS SHAIKH ZAYID'S RESPONSE TO SENATOR'S URGING THAT UAE PLAY AN ACTIVE ROLE IN FORTHCOMING OPEC CONFERENCE IN MODERATING OIL PRICES. SUBJECT CAME UP AFTER SENATOR HAD CONGRATULATED ZAYID FOR HIS EFFORTS TO BRING THE EMIRATES CLOSER TOGETHER AND ZAYID HAD EXPOUNDED AT SOME LENGTH ON HIS PHILOSOPHY OF THE NEED FOR THOSE WITH RESPONSIBILITY IN UAE TO ENCOURAGE DISTRIBUTION OF WEALTH AS MUCH AS POSSIBLE AND TO CONCENTRATE ON DEVELOPING THE UAE'S HUMAN RESOURCES.

3. NOTING PRESENCE OF OIL MINISTER UTAYBA, SENATOR ABOUREZK SAID HE WANTED TO USE THIS OPPORTUNITY TO POINT OUT THAT AN INCREASE IN OIL PRICES NEXT MONTH COMING JUST BEFORE A NEW PRESIDENT WILL TAKE OFFICE IN UNITED STATES, COULD BE USED BY ELEMENTS IN US WHICH HAVE BEEN UNFRIENDLY TO IMPROVED US-ARAB TIES. A SHARP RISE IN OIL PRICES COULD BE SEEN AS CONFRONTATIONAL AND FORCE THE NEW PRESIDENT IN TAKING POSITION AGAINST HIS WISHES AND WHICH IN LONG RUN COULD BE AGAINST INTERESTS EXPANDED US-ARAB COOPERATION. SENATOR ADDED THAT EXHORBITANT PRICE INCREASE WOULD ALSO MAKE IT EASIER FOR ELEMENTS IN CONGRESS WHO WERE SEEKING TO PASS NEW LEGISLATION AGAINST THE ARAB BOYCOTT, LEGISLATION WHICH SENATOR SAID WOULD DO MORE HARM TO US THAN ARAB STATES BUT WHICH WOULD NOT FACILITATE TASK OF NEW ADMINISTRATION IN ITS RELATIONS WITH ARAB WORLD. HE HOPED THEREFORE THAT UAE AND OTHER ARAB STATES WOULD HOLD BACK ON ANY NEW INCREASE UNTIL PRESIDENT ELECT CARTER HAS OPPORTUNITY TO ESTABLISH HIMSELF, FEEL MORE CONFIDENT, AND SET MAJOR FOREIGN POLICY LINES.

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4. ZAYID RESPONDED BY MAKING FOUR POINTS. WHEN UAE CONSIDERED OIL PRICES, IT FIRST HAD TO CONSIDER SITUATION IN ARAB WORLD. BECAUSE OF HEAVY DEFENSE REQUIRMENTS AND IMPACT OF PAST ARAB-ISRAELI CONFLICTS, CONFRONTATION STATES HAD BEEN BLED WHITE. THEIR ECONOMIES REQUIRED CONSIDERABLY MORE AID THAN ANYONE REALIZED AND THEY WOULD CONTINUE TO REQUIRE A GREAT DEAL OF AID IN FUTURE.

SECOND, UAE HAD TO CONSIDER SITUATION IN THIRD WORLD WHERE POOR COUNTRIES WITH LIMITED RAW MATERIAL RESOURCES WERE FINDING THEMSELVES IN EVER-INCREASING DISADVANTAGEOUS POSITION AND VULNERABLE TO RADICAL INFLUENCES. UAE HAD AN OBLIGATION TO HELP THEM AS MUCH AS POSSIBLE. THERE WAS ALSO SPECIAL TRAGEDY OF LEBANON WHICH HAD SUFFERED GREAT DESTRUCTION. ARABS COULD NOT LEAVE LEBANON AS IT WAS BUT WOULD HAVE TO HELP COUNTRY REBUILD TO ITS FORMER BEAUTY. FINALLY, THERE WERE THE INTERESTS OF MAJOR OIL CONSUMING COUNTRIES AND IMPACT OF PRICE RISES ON THEIR ECONOMIES. ZAYID SAID HE COULD ASSURE USG THAT UAE GOVERNMENT WOULD SEEK TO BALANCE CONSUMER INTERESTS WITH REQUIREMENTS OF LESS FORTUNATE COUNTRIES HE HAD JUST MENTIONED. AS MOSLEMS UAE BELIEVED IN JUSTICE AND WORKING FOR GENERAL BENEFIT OF MANKIND.

5. IN EXPRESSING APPRECIATION FOR ZAYID'S VIEWS, SENATOR ABOUREZK POINTED OUT THAT WHAT HE HAD SUGGESTED WAS NOT NECESSARILY A LONG TERM FREEZE ON OIL PRICES BUT AT LEAST A SHORT TERM ONE TO GIVE SOME TIME FOR A NEW AMERICAN ADMINISTRATION TO ESTABLISH ITSELF. AT THIS POINT OIL MINISTER UTAYBA REMARKED THAT PRICES HAD REMAINED FROZEN FOR THE PAST 15 MONTHS EVEN THOUGH THE PRICE OF IMPORTED GOODS AND SERVICES FOR THE UAE HAD CONTINUED TO RISE AT RAPID RATE AND UAE HAD BEEN FACED WITH LIQUIDITY PROBLEMS BECAUSE OF INFLATION IN DEVELOPMENT COSTS. SHAIKH ZAYID HAD IN PAST INSTRUCTED HIM TO WORK VERY CLOSELY WITH SAUDIS AT OPEC MEETINGS AND UAE HAD SUPPORTED SAUDI POSITION HOLD PRICE LINE AT LAST OPEC CONFERENCE. WITH ZAYID'S NODDING VIGOROUSLY, UTAYBA SAID UAE WOULD CONTINUE TO WORK CLOSELY WITH SAUDIS ON OPEC OIL ISSUES. ZAYID CONCLUDED BY EXPRESSING APPRECIATION FOR SENATOR'S ASSESSMENT OF ADVERSE POLITICAL IMPACT OF AN OIL PRICE RISE IN US AT THIS LIMITED OFFICIAL USE

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PARTICULAR TIME AND SAID UAE WAS INTERESTED IN ENSURING THAT NEW ADMINISTRATION HAVE AS POSITIVE AN ATTITUDE AS POSSIBLE TOWARD MIDDLE EAST ISSUES. HE PROMISED TO GIVE THIS QUESTION CAREFUL CONSIDERATION.

6. COMMENT: THE MEETING REFLECTED ZAYID'S HOMESPUN PHILOSOPHY OF USING A MAJOR PORTION OF UAE'S RESOURCES FOR FOREIGN AID AND APPRECIATION OF HOW TO BALANCE THIS WITH CONFLICTING FORCES AGAINST HIGHER OIL PRICES. ZAYID APPEARED GENUINELY INTERESTED TO DO WHAT HE COULD TO HELP ARAB IMAGE WITH NEW ADMINISTRATION, AND SENATOR ABOUREZK CERTAINLY MADE A VERY PERSUASIVE CASE.
DICKMAN

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